

August 3, 2022

Via Electronic Mail

Board of Governors of the Federal Reserve System
Attn: Ann E. Misback, Secretary
20th Street and Constitution Avenue, NW
Washington, DC 2055

Re: Community Reinvestment Act Regulations (Docket ID OCC-2018-0008; RIN 1557-AE34; RIN 3064-AF22), Question 13

Ladies and Gentlemen:

I am writing today to comment on Question 13 of the Notice of Proposed Rulemaking dated May 5, 2022. I currently serve as President of the University of Utah and am writing to urge the Banking Agencies to retain all of the activities that “promote economic development by financing small businesses” listed in the current CRA regulations.¹ I am writing today because of past involvement in this process, but also because the current regulations support innovative job growth and community development in my state and we are actively looking to put more funds to work to support these areas.

I have served as President of the University of Utah since 2021, but previously served as the Dean of the David Eccles School of Business 2021-2009 and served as the Faculty Advisor during the founding of the University Venture Fund (UVF) in 2003, which became the non-profit Managing Member of the University Opportunity Fund I (UOF or Fund) in 2004. UOF was launched in 2004 and raised over \$18 million in capital, making it the largest student-led fund in the country. UOF was made possible in large part due to the willingness of a group of banks to work with the University of Utah, Jim Sorenson and Tim Draper to innovate and create a new kind of community development venture capital fund. I want to highlight the critical role that banks played in the creation of this first-of-its-kind fund by investing millions of dollars through their bank CRA programs to support (1) the educational mission of UOF, and (2) the promotion of economic development by financing small businesses that created jobs.

The banks and UOF founders, including the University of Utah, spent significant time working with the federal banking regulators to confirm that an investment in UOF would qualify for CRA credit. The Fund has previously explored the possibility of pursuing an SBIC license from the SBA, but determined that option was not viable for UOF because of the newness of the Fund and the lengthy application process. The banks then spent considerable time and effort with their regulators, especially with the FDIC’s Washington, D.C. office, over a period of months in 2004 to develop the detailed format that UOF subsequently used for the ensuing ten years to document the requisite “job creation, retention, and/or improvement” for its bank investors to provide to their examiners during their CRA examinations.

The first bank to have its investment in UOF reviewed as part of a CRA examination was UBS

1. ¹The Interagency Questions & Answers Regarding Community Reinvestment Question 13 continue to allow banks to receive CRA credit for activities that support job creation, retention, and/or improvement by financing (either directly or through an intermediary) small businesses that meet the current “size” test (the eligibility standards of the SBDC or SBIC programs, and the current “purpose” test (set forth in the Interagency CRA Questions & Answers at Section ____12(g)(3) – 1.) by documenting support for permanent job creation, retention, and/or improvement for low- or moderate-income (LMI) persons, in LMI geographies, in areas targeted for redevelopment by federal, state, local, or tribal government, or by financing intermediaries that lend to, invest in, or provide technical assistance to start-ups or recently formed small businesses.

Bank USA in 2005. As evidenced by the written CRA Performance Evaluation dated June 20, 2005, the FDIC accepted UOF's thorough job data and described the investment in UOF as follows:

University Opportunity Fund, LLC (UOF) – UBS was the lead investor (\$2,500,000 of a total \$5,000,000) in the initial closing of the UOF, a highly innovative and first of its kind community development venture capital fund organized to promote community development and to support the mission of the University Venture Fund ("UVF"), a Utah 501(c)(3) non-profit corporation that serves as the managing member of the Fund. The UOF is a collaborative effort between students, the Utah University's Business School, and members of the banking and the venture capital communities to promote community development by providing growth capital to small business and educating students. As lead investor, UBS has stipulated in its agreement with fund management that the fund's primary purpose is to facilitate community development by investing in small businesses that meet the size and purpose test to qualify for CRA credit.

See CRA Performance Evaluation, UBS Bank USA, dated June 20 2005 (at pp. 10-11), a highlighted copy of which is included as Attachment A to this letter. In addition to this general description, the FDIC made several additional comments regarding the unique nature of UOF, including the unique educational opportunity for students to work with recognized venture capital funds throughout the country (and to perform due diligence on numerous small businesses being considered by investment), and the broader student awareness of and focus on job creation, retention, and/or improvement for low- or moderate-income (LMI) persons and in LMI areas. Subsequently, over the following 10+ years, every bank investor received CRA credit from their bank examiners (primarily the FDIC and OCC).

My involvement in the creation and launch of UOF was a highlight of my teaching years, and UOF became a crown jewel of the David Eccles School of Business. Hundreds of students have benefitted from the unparalleled, real-world investing experience they gained at UOF, and thousands of jobs were created by the small businesses in which the Fund invested. The University of Utah subsequently formed University Venture Fund II (UVF II) as a successor fund to UOF, with UVF II continuing the educational mission of UOF. The University of Utah is in the process of forming another innovative student fund with a different focus than UOF or UVF II, and very much desires to continue its collaboration with banks through their CRA programs. The new fund will also need bank CRA investments to achieve sufficient scale and to expand the reach of its community development mission. For this and all of the reasons discussed in this letter, I strongly urge the Banking Agencies to retain the all of the "promotion of economic development" activities for which banks currently receive CRA credit and that those same activities be added to the list of "Qualifying Activities."

Sincerely,



University of Utah, President